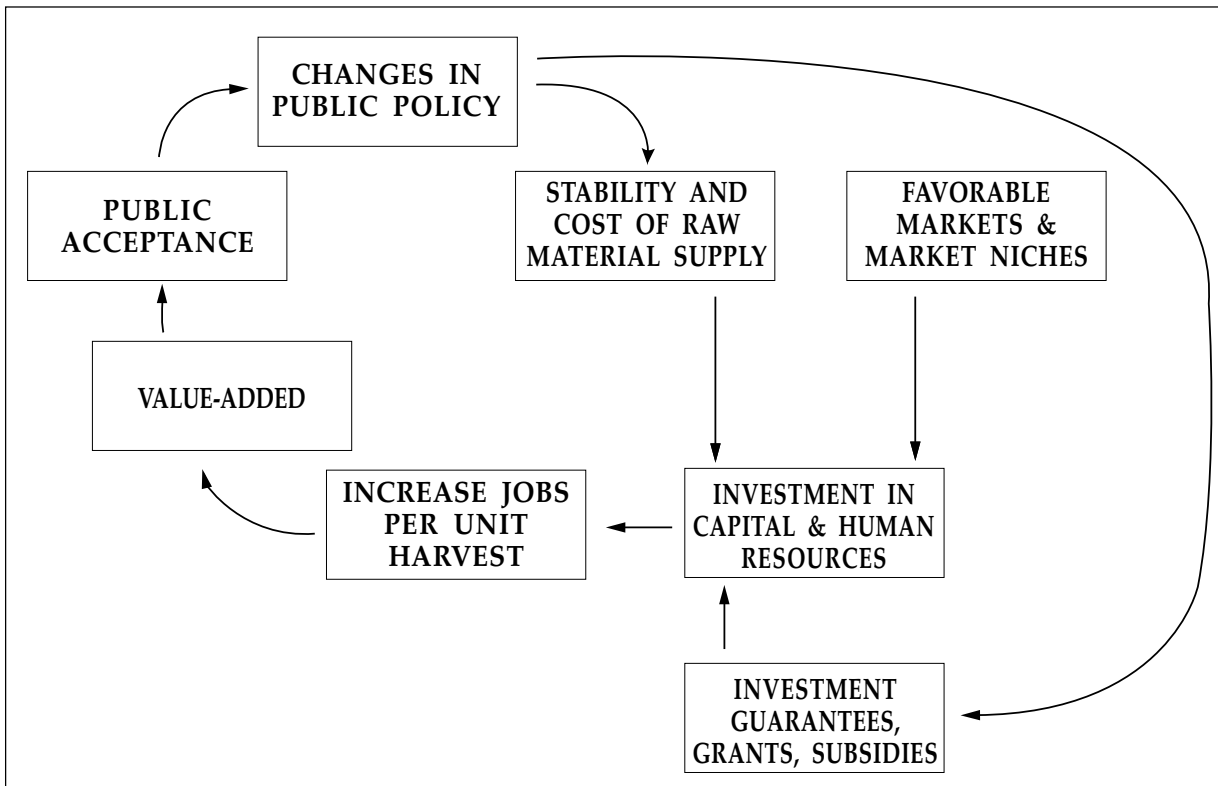


## PLANNING FOR THE FUTURE

The interrelationship between several factors influencing the future development of the timber industry in Alaska is shown in Figure 3. An objective of increasing employment per unit of timber harvested implies that there must be an increase in the level of capital investment in the industry. This in turn depends upon a reasonable assurance of a timber supply and markets which will yield end products of sufficient value to amortize the investment. To the degree that markets exist but supply is tenuous,

**Figure 3. Key Factors in Development of the Timber Industry**



investment guarantees may be used to offset the risk to venture capital. Thus, in many respects, the situation is much the same as it was forty years ago when great effort was devoted to attract a pulp industry to the region. Fundamental changes in wood products markets, however, may have created new opportunities for success in wood products manufacturing in the region.

In planning for the future it is prudent to “cast the net widely” and identify a range of viable options for wood product manufacture in today’s markets. The volume and form of raw materials needed for various products needs to be specified so that all steps in the manufacturing process are accounted for. An assessment of the total capital investment (skills and infrastructure) needed for each product or product mix can be used to assess the “price tag” for achieving a processing objective. Other important considerations include the scale of individual manufacturing facilities, the places where harvest will occur



in relation to the places where employment will be provided, and the cumulative footprint of the industry in the region. Several future scenarios for the industry could be designed around this information base.

**The future of the industry is a social-political question as much as it is an economic or technical question.**

*What is a scientifically sound, socially acceptable level of timber harvest for the Tongass National Forest?*

The mandate to process federal timber in-state, the disproportionate ownership pattern in the region, and the economic incentive to export round logs from private lands all place the burden of supplying local wood processors on public lands. Thus, the focus of the timber industry debate centers upon the Tongass timber program and, at least for now, the attention to private landowners has been comparatively slight. Within the task force itself, there were obvious differences of opinion on the level of activity that was 1) acceptable for public lands and 2) needed for a viable industry. Indeed, the very definition of “viable” was a subject of debate.

The recently-released TLMP revision provides for an allowable sale quantity (ASQ) of 267 MMBF total and 220 MMBF economic volume. The ASQ represents the volume that would be available for processing each year if every acre that scheduled for harvest, was in fact harvested. However, it would be irresponsible to ignore recent history which implies that the outcome of site-specific harvest layout decisions, project level debate, and budget considerations is a timber sale program somewhat smaller than the theoretical maximum projected by the ASQ. Historically, the “falldown” level has been 32 percent between the volume offered and the volume harvested. Industry advocates have discussed the need for having sufficient volume in the pipeline to offset the effect of the falldown. The size of the timber sale program and the volume of wood available each year from the Tongass ultimately depends on how different constituent groups are able to work out their conflicts over site specific resource concerns. While the process can be orchestrated, the outcome is not predictable with a high degree of certainty.

*What is the definition of a “viable wood products industry”?*

While it may be safe to assume that some level of timber harvest will always provide a basis for some form of timber-related activity in Southeast Alaska, there are disparate opinions as to what constitutes a “viable timber industry”.

Websters defines industry as “1) the commercial production and sale of goods and services; or 2) a particular branch of manufacture and trade.” Viable is defined as “capable of success or ongoing effectiveness.”

The sustained operation of any industry requires a reliable supply of raw materials at a cost that allows for profit and continued investment.

**This question then, ultimately ends up as a subset of the first, in that the scale of the industry is dependent on the size of the timber program that will allow for the sustained operation of the businesses that depend upon it.**



## **The Task Force reviewed the work of the Alaska Forest Association and the Southeast Alaska Conservation Council which portrayed different scenarios for a regional timber industry of varying scales.**

There are many opinions regarding the future of the wood products industry in Southeast Alaska and the task force had the benefit of hearing two representative viewpoints articulated during a day-long workshop in Ketchikan (see Appendices D and E). The key points from both presentations are presented below:

### **Alaska Forest Association (AFA) — “Four Visions”**

---

AFA stresses the need for the industry to maintain a certain economy of scale so that the individual components of the industry are self sustaining and so that healthy competition is maintained among individual local firms. Both individual sales and the overall timber program must be of sufficient size to retain a “critical mass” of industry activity. For example, for the initial entry, timber sales must be large enough to justify the cost of bringing in a mobile logging camp and building access roads.

AFA’s report also emphasizes the difficulty of economically processing the spectrum of timber quality typically found in Southeast Alaska. The high proportion of lower grade sawlogs in the timber supply gives rise to the need for an integrated industry that can economically utilize both the high and low grade material. AFA stresses that a regional strategy to utilize less valuable logs and chip by-products must be in place before a the development of a high value-added industry will occur.

AFA notes that an objective of maximizing the number of jobs in the region suggests that processing of all components of the wood supply should take place in Alaska to the fullest extent possible. Given the loss of the pulping industry in the region, AFA emphasizes the need for a local outlet for low value logs and sawmill residuals. This, in turn, implies a harvest level that is at least sufficient to support the low-end processor (fiberboard plant, a pulp mill, or an engineered wood product plant) while allowing more valuable wood to be directed to its highest and best use. The AFA paper concludes that the dual objectives of job maximization and full utilization imply a minimum timber supply of 300 million board feet, annually. Other lower harvest scenarios are examined with the primary effect being the inability to process low-end and residual material locally and the loss of the associated employment and investment opportunity.

### **Southeast Alaska Conservation Council (SEACC) — “Modeling a Small-Scale Manufacturing Timber Industry”**

---

As per the title, the focus of this paper is on small-scale manufacture, as defined by the author. SEACC’s vision is for a timber industry that “produces a substantial number of timber jobs while remaining compatible with all the other uses of the Tongass.” Explicit in the discussion is the need for change from the type of industry that developed around the long-term contracts.



SEACC developed industry models around three levels of future timber harvest which were all lower than in the past, presumably, to provide for other uses of the forest. However, a disclaimer is included at the end of the paper which states: "The modeling of the industry at any particular logging level does not in any way imply an endorsement of that logging level, or a judgement that that logging level is sustainable for all Tongass resources or is desirable for the forest."

The models are used to illustrate that jobs are just as much (or more) determined by the degree of local processing that occurs as they are by the level of logging. SEACC points out that by exporting round logs, cants and pulp rather than end products, employment per unit of wood cut in southeast Alaska has historically been very low. The SEACC paper asserts that the effects of a reduced timber harvest can be mitigated by significantly increasing the value-added component of what is manufactured in Southeast.

SEACC's basic message is that a smaller harvest volume does not necessarily equate to employment loss. Regardless of the level of timber harvest, more extensive processing of solid wood products could occur within the region. The product mix of the example scenarios includes: Log homes, dried and surfaced dimensional lumber, cut stock for turning plants, doors and windows, laminated beams, cabinet and furniture manufacture, shingles, and other small cottage industry endeavors. The analysis assumes cull logs and chip residuals are exported and that the export of cedar is prohibited.

The SEACC paper implies that there is a trade-off between the scale of harvest and the stability of the timber supply. The analysis suggests that the dual objectives of job maximization and industry viability imply a lower (although how much lower is not clear) timber harvest and more intensive local manufacture.

### **The Task Force requested information about what other states are doing to encourage value-added manufacturing of wood products.**

In recent years, the Pacific Northwest region, including British Columbia, Washington, Oregon and Alaska have had similar experiences with regard to the wood products industry and timber supply. Staff contacted representatives from areas outside Alaska to find out how they were responding to these dramatic changes in the industry. We found intense interest, resources, and commitment directed toward the value-added dimension of wood manufacturing. In fact, the desire to build secondary manufacturing capacity was a cornerstone of virtually all of the programs we reviewed. The demonstrated financial commitment to this objective is impressive, ranging from \$400 million per year for a province-wide program in B.C. to \$2-\$5 million dollar initiatives in Oregon and Washington. All of the programs reviewed were jointly funded and supported in some way (at least initially) at the federal level. The information provided below is a summary of how Alaska's competitors are moving ahead to position themselves as leaders in the market for secondary products.



## British Columbia, Canada

---

### FOREST RENEWAL B.C.

The B.C. Forest Renewal Act was passed in June 1994, establishing a corporation to be known as Forest Renewal B.C., with a board of directors including representation from forest companies, workers, environmental groups, communities, governments, and First Nations. An average of \$400 million a year from increased stumpage rates and royalties paid by companies to harvest timber on Crown lands is earmarked for the corporation's programs. All activities, projects and funding at Forest Renewal B.C. must fit under the umbrella of at least one of the following corporate priorities: (1) Improved reforestation and tending of forests including silviculture research, (2) Restoring and protecting the forest environment, (3) Creating new skills and jobs for forest workers, (3) Getting more jobs and value for each tree cut, (4) Strengthening communities that rely on forests. The broad span of Forest Renewals objectives and the substantial financial backing it carries, means that the corporation is tied in to virtually every timber initiative in the province. Listed below are some examples of how B.C. is using the Forest Renewal effort and others to promote higher quality forests and forest products manufacture in the province.

### B.C.'S VALUE-ADDED STRATEGY

Access to financing and business planning assistance has been a major hurdle for the value-added manufacturing sector in B.C. Just as in Alaska, commercial lenders have been extremely cautious and job creation opportunities have been jeopardized. Forest Renewal is developing a three-year Forest Community Business Program to help small and medium-sized forest sector businesses access \$20 million in newly available funding.

Another key challenge is building regional capacity to manufacture more of the minimally processed lumber that is currently exported. Value-added companies have very specific needs when it comes to their wood supply. Most of the value-added products that are or could be manufactured in B.C. require specific species of trees and specific grades of lumber. A secure supply of wood that meets these needs is a must. Initiatives to get enough wood and the right wood, into the hands of value-added manufacturers include:

- The new B.C. Wood Fiber Network was developed by the B.C. Government and implemented with funds from Forest Renewal B.C. The program went on-line in February 1996. This computer network serves as an electronic bulletin board that can be accessed through a computer modem. For an annual membership fee of \$321 plus either an hourly dial-in charge or a "1-800" charge, B.C. suppliers and users of wood can list wood to buy or sell or make requests for special items. The B.C. Government developed the network prototype. Forest Renewal provided \$300,000 to take it to the marketplace.



- For the past three years, the Ministry of Forests has operated a weekly auction of logs cut from Crown land at the Lumby Log Yard near Vernon. The process began as an experiment to test different methods of harvesting, including seed tree, shelterwood, and selective logging, and to find an alternative method of selling logs that would pay for itself. The log yard employs 10 workers and contracts with a number of truckers and loggers. Over the past three years, it has sold more than 150,000 cubic meters of wood. Its profit, about \$2 - \$2.5 million a year, is roughly twice the cost of operation.

When the logs arrive at the sort yard, they are scaled and sorted into 45 product groupings. The logs are then advertised for five days in local papers before being sold through a sealed bid process. Logs go to the highest bidder and there is no minimum price. This precise sorting and grading allows buyers to choose exactly what they need. The log yard serves a variety of clients including small manufacturers and house builders who want one log or several particular logs, as well as large sawmills.

- The Ministry of Forests is using \$265,000 from Forest Renewal B.C. to promote trade between large forest companies and value-added manufacturers. Under this Value-Added Credit System, major forest companies receive recognition for the volume of primary forest products they supply to value-added operators. This gives the larger companies an incentive to manufacture more forest products that smaller operators can use and helps small producers receive a secure supply of wood. About 200 independent operators are expected to join the program.

Among the first companies to participate were JackPine Forest Products, a value-added remanufacturer, and Lignum Industries, one of B.C.'s major forest companies, both from Williams Lake. According to representatives from JackPine, they are able to pick the lumber they need from Lignum's inventory. They look for clear, tightly knotted wood and use everything from 17 centimeters and up. After JackPine's 140 employees chop, split, and resize the wood it is sent to a sister company, Redwood Value-Added, where it is finger-jointed for wooden doors to be sold to B.C. and Japan.

- The Ministry of Forest's Small Business Forest Enterprise Program (SBFEP) is using new bid criteria to encourage the maintenance and expansion of local jobs and the production of value-added products. More than nine million cubic meters of timber (2 billion board feet) are allocated to the SBFEP. Of this, 3.6 million cubic meters (800 MMBF) are allocated to bid proposal sales. Historically, bids have been awarded based on the value an operator would extract from the timber. However, under this program, the amount of employment generated will also be a key factor in determining the winning bid.

Finding enough workers with the right skills is a significant problem in the value-added sector. Forest Renewal B.C. is working to develop a full range of education and training programs from apprenticeship programs for entry-level workers, to developing the entrepreneurial skills for the people who want to start or expand their operations. A priority of the strategy is to keep the



knowledge and experience of existing and displaced workers in the forest sector in their home communities. Some of the education and training programs set up by Forest Renewal include:

- The Forest Renewal B.C. Value-Added Skills Center in Abbotsford, B.C. opened its doors in September 1996. Over a five-year period, Forest Renewal B.C. will provide almost \$10 million to train up to 600 students. The courses offered at the Center were identified by the value-added sector as those most urgently required. Students complete training in the use of sawing, profiling, gluing, and surfacing equipment used by the value-added sector. Classes are designed to be job-related and are delivered in one-week courses with an average of 80 percent hands-on training. To make this program available to all areas of the province, Forest Renewal B.C. Currently will pay course fees, travel, and living expenses for eligible B.C. students. Employers will pay the wages and benefits of employees during the training. After five years, businesses will fund the full training costs.

The Value-Added Skills Center officially began accepting students from all states in the Pacific Northwest Economic Region (PNWER) region in March 1997. The PNWER is a public/private partnership that includes the states of Alaska, Idaho, Montana, Oregon, and Washington and the western Canadian provinces of British Columbia and Alberta.

- The \$3.9 million National Center for Advanced Wood Processing at the University of British Columbia opened its doors in March 1996. The program is set up to train 3550 graduates annually and to give value-added entrepreneurs the full range of skills they need to be successful. Funding for the Center comes from: an \$8.5 million endowment from Forest Renewal B.C. to support programs; \$16 million from provincial and federal governments, the forest industry and the University of British Columbia, and a \$7.4 million grant from the Ministry of Education, Skills and Training for new buildings and equipment. The forest industry will contribute \$200,000 annually in operating costs and \$150,000 in scholarships. Staff and program funds will come from the University of British Columbia.

The nature of B.C.'s value-added sector—many small, independent operators spread throughout the province—has made it difficult for value-added operators to keep informed, share ideas, deliver new programs and explore new markets. This problem is being addressed by Forest Renewal B.C. in three ways:

1. Forest Renewal B.C. is providing project funding totaling \$687,000 to five regional value-added manufacturing associations to help them build connections and identify common needs. With this funding, the associations will look at ways to develop their membership, identify common needs, coordinate concerns, and build connections in the industry.

2. Government ministries and Forest Renewal are providing funding and organizational support for value-added wood forums across the province which promote a grassroots approach to the development of the value-added sector. Five value-added wood forums and workshops have been sponsored by community groups, industry, First Nations, Forest Renewal B.C. and the B.C. government over the past three years.

Community decision-making was the theme for the 1995 forum in Revelstoke. According to Jack Heavenor, community co-coordinator and manager of Downie Timber, people in the community wanted a say in how timber in the area was being used. They got it. The community now operates a tree farm license with an allowable annual cut of 100,000 cubic meters (22 MMBF).

3. Forest Renewal is working with the B.C. Wood Specialties Group on international marketing initiatives such as establishing a display of all-B.C. value-added component homes in Osaka and Tokyo, Japan. Everything in the display houses was made in B.C. including: wall panels, staircases, cedar decking, fir floor panels and handrails, and cedar doors. Forest Renewal B.C. contributed \$500,000 to assemble the units and the B.C. Wood Specialties Group managed the project and set it up in Japan.

## **B.C. WOOD SPECIALTIES GROUP**

In 1989, British Columbia's secondary manufacturers formed the B.C. Wood Specialties Group (BCWSG). The Group comprises over 40 member companies with combined annual sales of approximately \$475 million. The Group's mandate is to expand domestic and overseas manufactured wood products from British Columbia.

The BCWSG is a partnership of industry and both federal and provincial governments: Industry Canada, Department of Foreign Affairs, International Trade, Government of Canada, and B.C. Trade Development Corporation. The BCWSG has two main objectives: to enhance the productive efficiency of its member companies, and to develop and expand domestic and overseas markets for members products. The first objective is achieved by providing members access to educational and skills training programs which are designed to enhance the business and technical skills within their companies. The BCWSG coordinates these programs and supports members' participation in them to enhance their competitive position.

To achieve the second objective, the association coordinates the cooperative marketing efforts of its member companies. Promotional activities such as participating in international trade shows, developing and distributing literature and videos and coordinating tours and missions of incoming buyers are combined with a direct referral service for inquiries from a growing network of international contacts.





## Washington

---

### **DIVISION OF FOREST PRODUCTS WASHINGTON DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT**

The state Legislature created a Forest Products Division within the Washington Department of Trade and Economic Development (DTED) in 1989. The Division consisted of Kay Gabriel, director and former official of Plum Creek, and up to 7 staff. The Division ran a two-part program consisting of: (1) technical assistance for manufacturers in improving productivity, developing business plans, modernizing equipment, finding niche markets, and other matters; and (2) a revolving loan fund create with federal and private matching funds for secondary manufacturers.

The first thing the Division did was pay for studies of Pacific Rim market opportunities, focusing on Japan, Korea, and Taiwan, to identify products that would match the available wood base. They then used those study results to develop a strategic plan for developing an industry to meet those market opportunities. All of the Division's employees were from industry—a key factor in Ms. Gabriel's view. Most were former mill managers from large companies like Weyerhaeuser, with broad "hands-on" experience in several locations nation-wide. The Division also employed a full-time person in Japan under contract, and conducted 3 or 4 trade missions annually, taking 8-10 industry representatives on each mission to meet with government and business officials in the host countries.

With this knowledge of Asian markets, the Division worked with a variety of individual operators on different projects designed to adapt their operations to take advantage of the market opportunities. A library of business plans, design drawings, marketing plans, and other business tools was gradually built.

In 1991, the Interior Department Appropriations bill provided almost \$2 million through the U.S. Forest Service, state, and private forestry account to the states of Oregon and Washington for the promotion of value-added forest products. Because the state of Washington is constitutionally prohibited from lending to the private sector, the state used these federal dollars to establish a revolving loan fund for manufactures who employed value-added production processes. Applicants were required to have established an existing relationship with the Forest Products Division staff and to have had their technical process completely reviewed by staff before submitting an application. Armed with business plans developed with the Division's technical assistance, the Division then pressed local banks to make matching funds available for lending to private operators. One bank pledged a pool of several million dollars for such loans.

The Division operated these programs for 5 years. At its peak, the Division's budget was approximately \$5 million, split about equally between state and federal funds. During this time, Ms. Gabriel also served as a timber policy advisor to the Governor. Eventually, the politics surrounding these issues led her to resign in 1994. At the same time, the state was undergoing a significant round of budget cuts, and the DTED was combined with a much larger Department of Community Development.

With its champion gone, the Forest Products Division lost its support and was abolished.

If a similar effort is made in Alaska, Ms. Gabriel recommends that:

- Industry people be hired to do the industry work.
- The program remain small and located in one place to make it easier to translate “what works” from one place to the next.
- Thorough annual reports be made to the legislature to demonstrate how money spent creates additional revenues and jobs.
- Recipients of technical assistance be charged at least a nominal fee for this service.
- Providing policy advice on timber issues should be kept separate from providing service to the industry.

#### **VALUE-ADDED WOOD PRODUCTS PROGRAM CENTER FOR INTERNATIONAL TRADE IN FOREST PRODUCTS**

This program is headquartered at the University of Washington and aimed at evaluating and communicating the opportunities for value-added wood products manufacturing, trade, and policy. The Center’s analysis of sector performance and structure provide background material for policy formulation. The Center’s Value-Added program has six purposes: 1) evaluate and communicate value-added opportunities, 2) provide secondary product market information, 3) inform policy makers about value-added wood products issues, 4) assist in economic development and technology transfer, 5) provide measures of regional and global competitiveness, and 6) produce directories and promotional materials.

#### **NORTHWEST POLICY CENTER**

The Northwest Policy Center is also located at the University of Washington. The Center’s programs are intended to improve public strategies for a vital economy and healthy environment in Alaska, Idaho, Montana, Oregon, and Washington. The staff at the Center have been active in rural development, rural workforce development, evaluation of the secondary wood products manufacturing industries, and development of networks among small, wood products manufacturing enterprises.

#### **THE EVERGREEN PARTNERSHIP**

The Evergreen Partnership is a private, non-profit trade association for the forest products and building materials industries. The association’s role is to pursue value-added marketing opportunities for its members throughout the world. The association represents an extraordinary mix of primary and secondary manufacturers, ports, banks, accountants, distributors, and other interested in the growth of the building materials industry. Since 1985, membership has grown to include 75 companies.



The association operates a variety of education and training, capital access, market promotion, and technical support programs. It is the primary sponsor of the "Pacific Northwest Wood Product Showcase" trade show in Tacoma. The Showcase is a two-day trade show designed to increase the visibility of the region's value-added wood products sector in international and domestic markets. In 1996, the event brought together 103 small and medium-sized manufacturers of home building materials, engineered wood products, timber framing components, furniture, toys and wood crafts. In response to the association's international recruiting efforts, 270 buyers from Korea, Japan, and Taiwan attended the showcase along with 125 domestic buyers.

The Evergreen Partnership also cooperates with the Wood Products Competitiveness Corporation of Oregon (described below), especially on education and training programs.

## WOODNET

WoodNet is one of five flexible manufacturing networks (FMNs) funded by the Northwest Area Foundation. Based on European models, these FMN projects were undertaken to combat some of the economic development problems faced in rural areas, strengthen rural/urban linkages, and, in the case of WoodNet, to adjust to structural changes in the wood industry. WoodNet operates in a four-county area covering Washington's Olympic peninsula. Like many areas in the Northwest the region's economy was traditionally based on the logging industry but is now struggling to redefine its economic base. The Northwest Area Foundation started Woodnet on an experimental bases, with a three-year funding allocation of \$300,000.

Gus Kostopulos, WoodNet's Executive Director, began WoodNet's operations in March of 1991. The organization had a staff of three, including an Executive Assistant and a Business Assistant in addition to the Executive Director. Funding for the Business Assistance Specialist came from the Washington Department of Community Development. WoodNet's Board of Directors was comprised entirely of individuals involved in woodworking businesses; no government officials or representatives of philanthropic agencies were involved. WoodNet was organized as an independent nonprofit business association, as defined under subsection 501(c)(6) of the Internal Revenue Code.

During the summer of 1995, depletion of grant funds and very limited income from other sources forced WoodNet to lay off its staff and continue only a shell operation out of the executive director's home. Despite the unfortunate demise of the program, for four year WoodNet was successful in filling gaps for small wood product firms during a difficult period of transition. Some parts of the program may provide a useful model for Southeast Alaska.

WoodNet had approximately 450 members on its mailing list, of which roughly 300 are woodworking businesses. Most of the firms were very small, employing only two or three people. About 20-30 of the businesses had over 10 employees and only two or three had over 30 employees. Many of the business owners were first generation business owners who turned to starting their own firm after losing their mill job.

Mr. Kostopolus began WoodNet's program by first getting to know his market. He visited many firms on the Olympic Peninsula, often making cold calls, and tried to find out what people were doing and what they needed. He then tried to fill some part of this need, usually by linking that firm with another firm on the peninsula. Through this process, in which he "underpromised and over-delivered," Mr. Kostopolus achieved two important objectives. First, he gained credibility with the firms and second he demonstrated how a network can offer tangible benefits. This second objective was particularly important, since most firms are not interested in the abstract concept of networking. Mr. Kostopolus also took every opportunity to speak to groups, such as Lions Clubs or Rotary Clubs, in order to increase WoodNet's exposure.

After building up this constituency, WoodNet started organizing meetings in order to facilitate networking among firms. WoodNet has held general meetings, as well as meetings for firms within the same geographic area or firms within the same product specialization, such as remanufacturing, cabinet making, or artisan firms. WoodNet arranged for speakers and organized the meetings around different topics. For meetings of the general membership, attendance ranged around 25 percent, with different firms attending each time, according to their interest in the topic.

WoodNet published a newsletter every month. The newsletter announced upcoming meetings and also featured articles on opportunities for peninsula firms, such as financing available from the regional revolving loan fund or export assistance available through a state program. In addition, the newsletter contained a classified section in which businesses offering or soliciting a good or service could remain anonymous, with responses to the ad channeled through WoodNet. WoodNet also developed and distributed a directory of woodworking firms on the peninsula, which made it easier for firms to contact each other directly.

Along with linking peninsula firms to each other, Woodnet also assisted firms to develop contacts with businesses and markets outside the peninsula. WoodNet organized joint trade shows for firms and helped them explore new market opportunities, both domestic and international. In offering services such as marketing assistance or help with a loan application, WoodNet was careful to stress the idea of teaching so that the next time the firm could accomplish the tasks independently.

## Oregon

---

### WOOD PRODUCTS COMPETITIVENESS CORPORATION

The origins for the Oregon Wood Products Competitive Corporation (WPCC) were in the Legislature, when key member and staff were focusing on the forest products industry through the Interim Legislative Committee on Forest Products Policy. The Interim Committee was convened to respond to the economic crisis afflicting the forest product industry in the late 1980's, which resulted in the loss of more than 10,000 jobs between 1989 and 1991 alone.



In 1990, the Interim Committee commissioned the Northwest Policy Center to identify strategies to maintain or expand employment in the secondary wood products industry in Oregon. After extensive consultation with the industry, the Center identifies five major challenges facing secondary wood product manufacturers:

- reductions in wood supply
- an unsympathetic business climate in terms of regulation and costs
- remoteness of location and consequent high transportation costs
- resource constraints on smaller companies curtailing product development, technology and exporting efforts
- identifying and exploiting market opportunities for value-added products

One of the recommendations by the Center was the establishment of a new coordinating entity to maintain the state's policy focus on the increasingly important sector. A non-profit corporation was envisioned which would provide a forum for industry leaders and public policy makers to explore mutual concerns, and possibly to conduct a marketing and public relations effort on behalf of the industry, to encourage flexible manufacturing networks and to provide or coordinate technical assistance to individual companies.

Secondary wood manufacturing in Oregon employs nearly 20,000 people in approximately 850 companies. These companies range in size from small start-ups to those with 15,000 employees and \$150 million in sales. While secondary wood products manufacturers account for roughly 35 percent of the total employment in the state's forest products industry, they were responsible for 46 percent of the value added by the industry in 1990. More importantly, between 1979 and 1988, while employment in the primary sector declined dramatically, employment in the secondary sector increased.

In July of 1991, the Oregon Legislative Assembly created WPCC as a state agency with a wideranging mission to improve and promote competitiveness of the secondary wood products sector. The state appropriated a start-up budget of \$2.25 million to fund the activities and administration of WPCC. The corporation was to be composed of seven members appointed by the Governor each of whom was to be actively engaged in the direct management and operation of a secondary wood products firm.

WPCC became a private industry association in June, 1993. The association's current "Statement of Work" focuses on six key areas including: 1) industry communications and cooperation; 2) access to capital; 3) market development; 4) stable sources of supply; 5) workforce preparation; and 6) real services.

WPCC, Inc. currently has over 100 member firms representing more than 8,000 employees in Oregon, Washington, California, and Idaho. WPCC serves manufacturers in four industry segments: (1) molding/millwork (windows, doors, cut stock, etc.), (2) cabinets (home, commercial, fixtures, etc.), (3) furniture (residential, office, ready-to-assemble, unfinished, etc.), specialty wood products (gifts, toys, pallets, trusses, etc.). Some of the successes WPCC has had over the last few years include:



- **Industry Training.** In partnership with manufacturers, local high schools and community colleges, WPCC is creating an industry training program for new and current employees. With \$850,000 of support allocated by the Governor, this program, led by a seventeen-member industry board, is developing basic and advanced educational courses in partnership with Oregon's community college system. WPCC has graduated 65 students from Basic Wood Products Technology courses at three community colleges in partnership with 32 manufacturers.
- **Providing Access to Capital.** In 1993, WPCC brought manufacturers and Oregon bankers together in a conference in Eugene. The result was a coalition that worked in the Oregon Legislature to obtain \$7.8 million in lottery dollars to create a \$30+ million Credit Enhancement Fund. This program provides guarantees for working capital and expansion loans and was co-sponsored by WPCC, the Oregon Bankers Association, and Oregon Economic Development Department. Half of these funds are targeted for the wood products industry, and \$2,800,000 in guarantees have been made to date for industry members.
- **Helping to Find Raw Material.** WPCC publishes a monthly "wood exchange" listing and sends it to 800 secondary manufacturers in Oregon. Members complete a simple wood exchange form and send it to the WPCC office indicating whether they want to buy or sell and WPCC provides this service to help businesses make better use of their residuals and by-products. Through such programs as the WPCC conference "Coping with the Dwindling wood Supply," the association promotes industry cooperation between primary and secondary producers and helps manufacturers find sources of alternate species and supply.
- **Marketing Conferences.** In 1993, WPCC brought 12 of the largest purchasers of secondary wood products in the nation to Portland, including Wal-Mart, Ikea, Costco, Lowe's, Singer Furniture and others. Over 120 Oregon Manufacturers were able to meet in small groups with senior purchasers and open direct contacts with new markets. The Buyers/Sellers Conference was a major success for many who attended.

